

PPB GROUP BERHAD (8167-W)
INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2018

(The figures have not been audited)

Condensed Consolidated Income Statements For The Period Ended 30 June 2018

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	30 June		30 June	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
		(restated)		(restated)
Revenue	1,082,432	1,053,010	2,227,554	2,083,596
Operating expenses	(1,035,845)	(1,007,578)	(2,136,050)	(1,994,827)
Other operating income, gains and losses	43,177	13,722	47,949	41,896
Share of net profits less losses of associates	250,639	58,347	415,363	359,812
Share of profit of joint venture	1,016	946	2,044	1,885
Finance costs	(5,391)	(5,788)	(11,318)	(12,405)
Profit before tax	<u>336,028</u>	<u>112,659</u>	<u>545,542</u>	<u>479,957</u>
Tax expense	(24,872)	(16,210)	(38,779)	(36,680)
Profit for the period	<u><u>311,156</u></u>	<u><u>96,449</u></u>	<u><u>506,763</u></u>	<u><u>443,277</u></u>
Attributable to :				
Owners of the parent	304,473	93,195	493,985	431,627
Non-controlling interests	6,683	3,254	12,778	11,650
Profit for the period	<u><u>311,156</u></u>	<u><u>96,449</u></u>	<u><u>506,763</u></u>	<u><u>443,277</u></u>
Basic earnings per share (sen)	<u><u>21.40</u></u>	<u><u>6.55</u></u>	<u><u>34.72</u></u>	<u><u>30.34</u></u>

(The Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017)

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statements Of Comprehensive Income
For The Period Ended 30 June 2018

	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
	2018 RM'000	2017 RM'000 (restated)	2018 RM'000	2017 RM'000 (restated)
Profit for the period	311,156	96,449	506,763	443,277
Other comprehensive income/(loss), net of tax				
<u>Items that will not be subsequently reclassified to profit or loss</u>				
Fair value of financial assets available-for-sale	(17,084)	25,116	(112,358)	155,033
<u>Items that will be subsequently reclassified to profit or loss</u>				
Exchange differences on translation of foreign operations	709,971	(514,368)	(61,086)	(747,365)
Share of associates' other comprehensive income/(loss)	(346,607)	111,255	(168,017)	327,425
Total comprehensive income/(loss)	<u>657,436</u>	<u>(281,548)</u>	<u>165,302</u>	<u>178,370</u>
Attributable to :				
Owners of the parent	650,743	(276,980)	163,486	175,663
Non-controlling interests	6,693	(4,568)	1,816	2,707
Total comprehensive income/(loss)	<u>657,436</u>	<u>(281,548)</u>	<u>165,302</u>	<u>178,370</u>

(The Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017)

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statements Of Financial Position

ASSETS	As at 30-Jun-18 RM'000	As at 31-Dec-17 RM'000 (restated)
Non-current Assets		
Property, plant and equipment	1,317,065	1,344,173
Investment properties	229,772	217,711
Biological assets	3,542	3,616
Goodwill	73,704	73,704
Other intangible assets	10,536	9,232
Land held for property development	86,067	86,209
Investment in associates	17,063,307	17,036,921
Investment in joint venture	58,977	61,595
Financial assets available-for-sale	609,762	722,221
Deferred tax assets	1,597	2,225
	<u>19,454,329</u>	<u>19,557,607</u>
Current Assets		
Inventories	759,496	815,569
Biological assets	17,830	18,716
Other intangible assets	1,785	8,337
Property development costs	8,431	6,294
Receivables	864,812	932,291
Derivative financial instruments	4,211	17
Current tax assets	17,396	18,086
Cash, bank balances, deposits and short-term fund placements	1,281,172	1,339,143
	<u>2,955,133</u>	<u>3,138,453</u>
Assets classified as held for sale	-	10,163
	<u>2,955,133</u>	<u>3,148,616</u>
TOTAL ASSETS	<u><u>22,409,462</u></u>	<u><u>22,706,223</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	1,192,215	1,192,215
Reserves	19,427,343	19,523,793
Equity attributable to owners of the parent	<u>20,619,558</u>	<u>20,716,008</u>
Non-controlling interests	667,269	676,005
Total equity	<u>21,286,827</u>	<u>21,392,013</u>

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statements Of Financial Position
(continued)

	As at 30-Jun-18 RM'000	As at 31-Dec-17 RM'000 (restated)
Non-current Liabilities		
Long-term borrowings	30,574	35,974
Deferred tax liabilities	95,650	91,871
	126,224	127,845
Current Liabilities		
Payables	408,684	433,687
Derivative financial instruments	8,125	337
Short-term borrowings	566,413	744,749
Current tax liabilities	13,189	6,107
	996,411	1,184,880
Liabilities associated with assets classified as held for sale	-	1,485
	996,411	1,186,365
Total liabilities	1,122,635	1,314,210
TOTAL EQUITY AND LIABILITIES	22,409,462	22,706,223

(The Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017)

Condensed Consolidated Statements Of Changes In Equity For The Period Ended 30 June 2018

	Non-distributable					Distributable			Attributable to owners of the parent RM'000	Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Exchange translation reserve RM'000	Fair value reserve RM'000	Hedge reserve RM'000	Capital reserve RM'000	Retained earnings RM'000			
6 months ended 30 June 2018											
At 1 January 2018											
As previously stated	1,192,215	-	38,966	1,753,866	292,119	13,528	180,305	17,427,041	20,898,040	676,176	21,574,216
Effects of MFRS convergence and adoption of MFRS 9, MFRS 15 and MFRS 141	-	-	(38,966)	1,227,523	-	4,118	22,672	(1,397,379)	(182,032)	(171)	(182,203)
Restated	1,192,215	-	-	2,981,389	292,119	17,646	202,977	16,029,662	20,716,008	676,005	21,392,013
Total comprehensive income/(loss)	-	-	-	(203,138)	(112,358)	9,810	(24,813)	493,985	163,486	1,816	165,302
Transfer of reserves	-	-	-	-	-	-	(519)	519	-	-	-
Dividends	-	-	-	-	-	-	-	(260,810)	(260,810)	(4,700)	(265,510)
Acquisition of shares in a subsidiary	-	-	-	-	-	-	-	874	874	(5,852)	(4,978)
At 30 June 2018	1,192,215	-	-	2,778,251	179,761	27,456	177,645	16,264,230	20,619,558	667,269	21,286,827
6 months ended 30 June 2017											
At 1 January 2017											
As previously stated	1,185,500	6,715	39,511	3,099,410	9,442	(51,000)	128,920	16,554,092	20,972,590	695,143	21,667,733
Effects of MFRS convergence and adoption of MFRS 9, MFRS 15 and MFRS 141	-	-	(39,511)	1,202,792	-	(13,634)	(23,651)	(1,379,439)	(253,443)	127	(253,316)
Restated	1,185,500	6,715	-	4,302,202	9,442	(64,634)	105,269	15,174,653	20,719,147	695,270	21,414,417
Total comprehensive income/(loss)	-	-	-	(551,301)	155,033	101,002	39,302	431,627	175,663	2,707	178,370
Transfer of reserves	-	-	-	-	-	-	4,909	(4,909)	-	-	-
Transfer pursuant to Companies Act 2016	6,715	(6,715)	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(201,535)	(201,535)	(16,101)	(217,636)
Acquisition of shares in a subsidiary	-	-	-	-	-	-	-	2,119	2,119	(2,219)	(100)
Changes in equity interest in an associate	-	-	-	-	-	-	-	(13,151)	(13,151)	-	(13,151)
At 30 June 2017	1,192,215	-	-	3,750,901	164,475	36,368	149,480	15,388,804	20,682,243	679,657	21,361,900

(The Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017)

PPB GROUP BERHAD (8167-W)
Condensed Consolidated Statements Of Cash Flows
For The Period Ended 30 June 2018

	6 months ended 30 June	
	2018	2017
	RM'000	RM'000
		(restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	545,542	479,957
Adjustments :		
Non-cash items	(344,815)	(270,517)
Non-operating items	(19,736)	(14,467)
Operating profit before working capital changes	180,991	194,973
Working capital changes :-		
Net change in current assets	80,988	(91,099)
Net change in current liabilities	5,363	(12,210)
Cash generated from operations	267,341	91,664
Tax paid	(26,716)	(51,749)
Net cash generated from operating activities	240,625	39,915
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment, investment properties, biological assets and other intangible assets	(73,768)	(81,449)
Proceeds from disposal of property, plant and equipment, and assets held for sale	13,408	36,204
Purchase of investments	(90,136)	-
Dividends received	260,888	161,463
Income from short-term fund placements	15,299	5,088
Interest received	6,854	7,076
Repayment from associates	32,866	50,862
Distribution of profits from joint venture	3,372	-
Other investing activities	2,260	2,265
Net cash generated from investing activities	171,042	181,509
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings	(191,461)	75,998
Interest paid	(11,470)	(12,719)
Dividends paid	(265,510)	(217,636)
Net cash used in financing activities	(468,441)	(154,357)
Net (decrease)/increase in cash and cash equivalents	(56,773)	67,067
Cash and cash equivalents brought forward	1,338,663	1,177,203
Effect of exchange rate changes	(1,171)	(5,816)
Cash and cash equivalents carried forward	1,280,719	1,238,454
<u>Cash and cash equivalents represented by :</u>		
Cash and bank balances	281,224	235,599
Bank deposits	217,213	353,919
Short-term fund placements	782,735	649,527
Bank overdrafts	(453)	(591)
	<u>1,280,719</u>	<u>1,238,454</u>

(The Condensed Consolidated Financial Statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017)

NOTES

A1. Accounting policies

The interim financial statements of the Group have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") MFRS 134 - Interim Financial Reporting and Chapter 9, Part K of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Group adopted the MFRS on 1 January 2018 and will prepare the first set of financial statements in accordance with MFRS for the financial year ending 31 December 2018. The interim financial statements of the Group have been prepared in accordance with the accounting policies to be applied in preparing the annual financial statements of the Group for the financial year ending 31 December 2018.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 December 2017 except for the adoption of the following MFRS, Amendments to MFRS and Issues Committee Interpretation ("IC Interpretation") that are effective for the financial periods beginning on or after 1 January 2018 :

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 1	Annual Improvements to MFRS Standards 2014 - 2016 Cycle
Amendments to MFRS 15	Clarifications to MFRS 15

A2. Adoption of MFRS

a) *MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards*

The Group adopted MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards on 1 January 2018 and has elected to apply the following transitional exemptions:

Business combinations

The Group has elected not to apply MFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition.

Deemed cost of assets

The Group has elected to use the previously revalued property, plant and equipment and investment properties as their deemed cost under the MFRS on the date of transition.

b) *MFRS 141 Agriculture*

The Group measures bearer plants at cost less accumulated depreciation and impairment losses, whereas agricultural produce is measured at fair value less costs at the point of harvest. Other biological assets are measured at fair value less costs to sell.

c) *MFRS 9 Financial Instruments*

The Group applied the simplified approach where the credit loss allowance on impairment of financial assets is measured at an amount equal to lifetime expected credit losses for trade receivables and contract assets.

d) *MFRS 15 Revenue from Contracts with Customers*

The Group recognises revenue to depict the transfer of a promised good or service to a customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for that good or service. Depending on the terms of the contract, the Group recognises revenue when the performance obligation is satisfied, which may be at a point in time or over time.

For the six months ended 30 June 2017, there was a negative effect on the adoption of the above MFRS to the consolidated profit before tax and net profit after tax amounted to RM15.9 million.

The effects on adoption of the above MFRS on consolidated statement of financial position as at 31 December 2017 are as follows:

	As reported previously RM'000	Effects of MFRS adoption RM'000	Restated RM'000
Non-current Assets			
Investment properties	216,811	900	217,711
Biological assets	2,844	772	3,616
Land held for property development	85,272	937	86,209
Investment in associates	17,221,581	(184,660)	17,036,921
Deferred tax assets	2,164	61	2,225
Other non-current assets	2,210,925	-	2,210,925
	<u>19,739,597</u>	<u>(181,990)</u>	<u>19,557,607</u>
Current Assets			
Biological assets	18,969	(253)	18,716
Property development costs	5,360	934	6,294
Receivables	932,885	(594)	932,291
Other current assets	2,191,315	-	2,191,315
	<u>3,148,529</u>	<u>87</u>	<u>3,148,616</u>
Total assets	<u>22,888,126</u>	<u>(181,903)</u>	<u>22,706,223</u>
Equity			
Equity attributable to owners of the parent	20,898,040	(182,032)	20,716,008
Non-controlling interests	676,176	(171)	676,005
Total equity	<u>21,574,216</u>	<u>(182,203)</u>	<u>21,392,013</u>
Non-current liabilities			
Deferred tax liabilities	91,857	14	91,871
Other non-current liabilities	35,974	-	35,974
	<u>127,831</u>	<u>14</u>	<u>127,845</u>
Current liabilities			
Payables	433,401	286	433,687
Other current liabilities	752,678	-	752,678
	<u>1,186,079</u>	<u>286</u>	<u>1,186,365</u>
Total liabilities	<u>1,313,910</u>	<u>300</u>	<u>1,314,210</u>
TOTAL EQUITY AND LIABILITIES	<u>22,888,126</u>	<u>(181,903)</u>	<u>22,706,223</u>

A3. Seasonality or cyclicity of interim operations

The Group's operations are not materially affected by any seasonal or cyclical factors.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flow

There were no items of an unusual nature, size or incidence that affected the assets, liabilities, equity, net income and cash flows of the Group during the current financial period end under review.

A5. Nature and amount of changes in estimates

There were no changes in estimates of amounts reported in the previous financial year which have a material effect in the current interim period.

A6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuances or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period to-date.

A7. Dividend paid

During the financial half-year ended 30 June 2018, a final single-tier dividend of 22 sen per share in respect of financial year ended 31 December 2017 was paid on 31 May 2018.

A8. Segmental reporting

Segmental information in respect of the Group's business segments for the period ended 30 June 2018 is as follows :

Business segments: <i>All figures in RM'000</i>	Grains and <u>agribusiness</u>	Consumer <u>products</u>	Film exhibition and <u>distribution</u>	Environmental engineering and <u>utilities</u>	<u>Property</u>	Investments <u>in equities</u>	Other <u>operations</u>	Inter-segment <u>elimination</u>	<u>Total</u>
REVENUE									
External revenue	1,476,647	331,952	249,096	92,959	21,716	6,475	48,709	-	2,227,554
Inter-segment sales	63,234	1,185	-	-	950	-	8,788	(74,157)	-
Total revenue	<u>1,539,881</u>	<u>333,137</u>	<u>249,096</u>	<u>92,959</u>	<u>22,666</u>	<u>6,475</u>	<u>57,497</u>	<u>(74,157)</u>	<u>2,227,554</u>
RESULTS									
Segment results	73,450	9,997	26,139	7,178	4,428	6,475	2,295	-	129,962
Share of associates' profits less losses	33,113	(2,462)	2,211	2,296	3,913	-	376,292	-	415,363
Share of joint venture's profit	-	-	-	2,044	-	-	-	-	2,044
Interest income									6,835
Income from short-term fund placements									15,561
Finance costs									(11,318)
Unallocated corporate expenses									(12,905)
Profit before tax									<u>545,542</u>
ASSETS									
Segment assets	2,317,027	454,043	333,409	102,052	352,521	609,762	85,263	(331)	4,253,747
Investment in associates	456,922	25,791	191,258	52,040	229,694	-	16,107,602	-	17,063,307
Investment in joint venture	-	-	-	58,977	-	-	-	-	58,977
Bank deposits and short-term fund placements									999,948
Tax assets									18,993
Other unallocated corporate assets									14,491
Total assets									<u>22,409,462</u>

A9. Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements under review.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group arising from business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations for the interim period under review, except for the following:

- a) Tego Sdn Bhd ("Tego"), a 79.9%-owned indirect subsidiary of PPB, entered into an Agreement for Transfer of Shares dated 20 September 2017 to dispose of its entire equity interest in Tefel Packaging Industries Co Ltd ("Tefel") comprising 60 ordinary shares of Kyat 10,000/- each ("Proposed Disposal"). The Proposed Disposal was completed on 21 June 2018.
- b) On 4 August 2014, Lamlewa Feedmill Sdn Bhd ("Lamlewa"), a dormant 80%-owned indirect subsidiary of PPB, commenced a members' voluntary winding up pursuant to Section 254(1)(b) of the Companies Act 1965. Lamlewa was dissolved on 28 June 2018, and has accordingly ceased to be an indirect subsidiary of PPB.

A11. Changes in contingent liabilities or contingent assets

There were no changes in contingent assets and contingent liabilities since the end of the last annual reporting period.

A12. Capital commitments

Authorised capital commitments not provided for in the interim financial report as at 30 June 2018 were as follows:

	RM'000
Property, plant and equipment, investment properties and biological assets	
- contracted	34,052
- not contracted	373,682
	407,734
Other capital commitments	
- contracted	173,467
	581,201

A13. Significant related party transactions

Significant related party transactions during the period ended 30 June 2018 were as follows:

	RM'000
Transactions with associates	
- Interest income	1,959
- Purchase of goods	16,952
	18,911
Transactions with a subsidiary of the ultimate holding company	
- Sale of goods	7,174
	7,174
Transactions with subsidiaries of associates	
- Purchase of goods	103,117
- Sale of goods	32,497
- Rental income	1,560
- Security and other service fee expenses	1,445
- Marketing fee income	1,168
- Charter hire of vessels	24,309
	164,095

B1. Analysis of performance for the financial period to-date

The Group reported total revenue of RM1.08 billion in 2Q2018 (2Q2017: RM1.05 billion), up 3% from a year ago. Pre-tax profit of the Group for the quarter was at RM336 million, 198% higher as compared to RM113 million recorded in 2Q2017.

For 1H2018, Group revenue increased by 7% to RM2.23 billion (1H2017: RM2.08 billion), the increase was attributed to higher revenue from *Grains and agribusiness* and *Environmental engineering and utilities* segments.

Group pre-tax profit increased by 14% to RM546 million (1H2017: RM480 million). The increase was mainly due to higher contribution from Wilmar of RM376 million (1H2017: RM323 million), higher profits from *Grains and agribusiness*, *Environmental engineering and utilities* segments as well as the cessation of sharing of losses in Tefel with the disposal completed in June 2018.

Group financial performance by business segment

	2Q2018	2Q2017	Variance		1H2018	1H2017	Variance	
	RM'000	RM'000 (restated)	RM'000	%	RM'000	RM'000 (restated)	RM'000	%
Revenue								
Grains and agribusiness	728,733	730,944	(2,211)	-	1,539,881	1,454,671	85,210	6%
Consumer products	168,533	174,201	(5,668)	(3%)	333,137	342,888	(9,751)	(3%)
Film exhibition and distribution	125,025	123,012	2,013	2%	249,096	247,634	1,462	1%
Environmental engineering and utilities	51,353	26,228	25,125	96%	92,959	44,941	48,018	>100%
Property	11,471	10,374	1,097	11%	22,666	21,012	1,654	8%
Investments and Other operations	32,397	39,110	(6,713)	(17%)	63,972	72,167	(8,195)	(11%)
Inter-segment elimination	(35,080)	(50,859)	15,779		(74,157)	(99,717)	25,560	
Total revenue	1,082,432	1,053,010	29,422	3%	2,227,554	2,083,596	143,958	7%
Segment results								
Grains and agribusiness	51,829	25,927	25,902	100%	73,450	56,341	17,109	30%
Consumer products	5,255	5,741	(486)	(8%)	9,997	18,546	(8,549)	(46%)
Film exhibition and distribution	12,707	16,125	(3,418)	(21%)	26,139	36,148	(10,009)	(28%)
Environmental engineering and utilities	5,259	1,526	3,733	>100%	7,178	2,561	4,617	>100%
Property	2,664	1,659	1,005	61%	4,428	4,215	213	5%
Investments and Other operations	8,464	2,693	5,771	>100%	8,770	2,677	6,093	>100%
Total segment results	86,178	53,671	32,507	61%	129,962	120,488	9,474	8%
Share of profits less losses from associates and joint venture	251,655	59,293	192,362	>100%	417,407	361,697	55,710	15%
Unallocated expenses, finance costs net of interest income and income from short-term fund placements	(1,805)	(305)	(1,500)	>(100%)	(1,827)	(2,228)	401	18%
Profit before tax	336,028	112,659	223,369	>100%	545,542	479,957	65,585	14%

Grains and agribusiness

Segment revenue remained relatively unchanged at RM729 million in 2Q2018 (2Q2017: RM731 million), due mainly to lower sales of animal feed. However, segment profit doubled to RM52 million (2Q2017: RM26 million), as a result of improved profit margin from the flour and feed divisions.

Segment revenue for the 1H2018 increased by 6% to RM1.54 billion (1H2017: RM1.45 billion), mainly attributable to higher sales volume from all flour mills. Segment profit increased by 30% to RM73 million (1H2017: RM56 million), mainly due to lower raw material cost and improved product margin from feed division.

Consumer products

Segment revenue decreased by 3% to RM169 million in 2Q2018 (2Q2017: RM174 million), due mainly to lower sales of in-house products. Segment profit was lower by 8% to RM5.3 million (2Q2017: RM5.7 million) mainly attributable to higher raw material costs.

For 1H2018, segment revenue was lower by 3% at RM333 million (1H2017: RM343 million), mainly due to lower sales of in-house products. Segment profit decreased by 46% to RM10 million for 1H2018 (1H2017: RM19 million) mainly due to the absence of a one-time gain on sale of land and building amounted to RM8.0 million in 1H2017 and weaker performance by the bakery division.

Film exhibition and distribution

Segment revenue increased by 2% to RM125 million in 2Q2018 (2Q2017: RM123 million) mainly due to higher contribution from new cinemas, higher average ticket prices and concession income, partly offset by decline in admissions mainly attributed to weaker movie line-up. However, segment profit decreased by 21% to RM13 million in 2Q2018 (2Q2017: RM16 million) primarily due to weaker performance in the film distribution business with weaker movie titles released.

For 1H2018, segment revenue was relatively stable at RM249 million (1H2017: RM248 million). Segment profit was however, lower at RM26 million for 1H2018 (1H2017: RM36 million) mainly due to weak contribution from film distribution business and weaker movie line-up during Chinese New Year 2018.

Environmental engineering and utilities

Segment revenue increased by twofold for 2Q2018 and 1H2018 to RM51 million (2Q2017: RM26 million) and RM93 million (1H2017: RM45 million) respectively, mainly contributed by progressive billings for the construction of projects secured in the second half of 2017.

In line with the increase in revenue, segment profit was higher at RM5.3 million in 2Q2018 (2Q2017: RM1.5 million) and RM7.2 million for 1H2018 (1H2017: RM2.6 million).

Property

Segment revenue was higher at RM11 million in 2Q2018 (2Q2017: RM10 million), mainly from the increase in project management fee income. Segment profit was higher at RM2.7 million in 2Q2018 (2Q2017: RM1.7 million) mainly due to a one-time gain on sale of vacant land amounted to RM1 million.

For 1H2018, segment revenue increased by 8% to RM23 million (1H2017: RM21 million) primarily driven by higher project management fee income. Segment profit was at RM4.4 million (1H2017: RM4.2 million), as the one-time gain on the sale of vacant land was offset by higher operating cost.

Investments and Other operations

The combined segment revenue decreased by 17% in 2Q2018 to RM32 million (2Q2017: RM39 million) and 11% to RM64 million for 1H2018 (1H2017: RM72 million) mainly due to the de-consolidation of revenue from Tefel with the disposal completed in June 2018.

Accordingly, the combined segment reported a profit of RM8.5 million in 2Q2018 (2Q2017: RM2.7 million) and RM8.8 million for 1H2018 (1H2017: RM2.7 million).

Share of associates and joint venture's profits less losses

The Group's share of associates and joint venture profits increased significantly to RM252 million in 2Q2018 (2Q2017: RM59 million), mainly attributable to significant increase in contribution from Wilmar amounted to RM230 million in 2Q2018 (2Q2017: RM44 million).

Profit contribution from Wilmar was at RM376 million for 1H2018 (1H2017: RM323 million), 16% higher from a year ago.

B2. Material changes in the quarterly results compared to the results of the preceding quarter

	2Q2018	1Q2018	Variance	
	RM'000	RM'000 (restated)	RM'000	%
Segment results				
Grains and agribusiness	51,829	21,621	30,208	>100%
Consumer products	5,255	4,742	513	11%
Film exhibition and distribution	12,707	13,432	(725)	(5%)
Environmental engineering and utilities	5,259	1,919	3,340	>100%
Property	2,664	1,764	900	51%
Investments and Other operations	8,464	306	8,158	>100%
Total segment results	86,178	43,784	42,394	97%
Share of profits less losses from associates and joint venture	251,655	165,752	85,903	52%
Unallocated expenses, finance costs net of interest income and income from short-term fund placements	(1,805)	(22)	(1,783)	>(100%)
Profit before tax	336,028	209,514	126,514	60%

Group pre-tax profit was higher at RM336 million in 2Q2018 (1Q2018: RM210 million) due mainly to:

- a) higher profit contribution from Wilmar of RM230 million in the current quarter (1Q2018: RM146 million);
- b) higher profit from *Grain and agribusiness* and *Environmental engineering and utilities* segments; and
- c) higher dividend income from investment securities.

B3. Prospects for the current financial year

The Malaysian economy recorded a slower growth of 4.5% in the second quarter of 2018 (1Q 2018: 5.4%). Growth was slower on account of supply disruption in the mining sector and agriculture production. Whilst private sector spending remained resilient, growth was dampened by public investment and net export growth. Going forward, growth is expected to be broadly sustained, supported mainly by private sector spending.

The flour markets in Malaysia, Indonesia and Vietnam and the feed market in Malaysia are expected to remain challenging amidst volatility in commodity prices. Notwithstanding the market uncertainty, the *Grains and agribusiness* segment is expected to perform satisfactorily with stable demand in the second half of 2018, coupled by continuous efforts to strive for cost efficiency and focus on product quality. The *Consumer products* segment is expected to remain stable with more promotional activities and campaigns planned for the second half of 2018. The *Film exhibition and distribution* segment is expected to be supported by a strong movie line-up and contribution from newly-opened cinemas in Malaysia for the second half of 2018. In line with the construction progress of contracts in hand, the *Environmental engineering and utilities* segment is expected to perform better in the second half of 2018. With encouraging sales of the Megah Rise project in Petaling Jaya and improved tenancy from the extended and refurbished Cheras LeisureMall operations, the *Property* segment is expected to perform satisfactorily.

With the Malaysian macroeconomic fundamentals remaining intact, the Group's main business segments are expected to perform satisfactorily in FY2018. The overall Group financial results will continue to be supported by the business performance of Wilmar.

B4. Variance of actual profit from forecast profit

Not applicable.

B5. Profit before tax

	Individual Quarter 3 months ended 30-Jun-18 RM'000	Cumulative Quarter 6 months ended 30-Jun-18 RM'000
Profit before tax was stated after crediting:		
Dividend income	6,416	6,475
Net fair value gain on derivatives	24,923	23,309
Interest income and income from short-term fund placements	11,623	22,396
Rental income	<u>1,131</u>	<u>2,182</u>
Profit before tax was stated after charging:		
Allowance for doubtful debts and receivables written off	218	(386)
Depreciation and amortisation	(34,745)	(71,805)
Net foreign exchange loss	(5,142)	(13,345)
Interest expense	<u>(5,391)</u>	<u>(11,318)</u>

B6. Tax expense

	Individual Quarter 3 months ended 30-Jun-18 RM'000	Cumulative Quarter 6 months ended 30-Jun-18 RM'000
Taxation comprises:		
Malaysian operation		
Current income tax	21,830	33,156
Deferred tax	<u>1,428</u>	<u>1,706</u>
	23,258	34,862
Foreign operation		
Current income tax	840	1,700
Deferred tax	<u>776</u>	<u>2,187</u>
	24,874	38,749
(Over)/Underprovision in prior year:		
Current	(2)	(2)
Deferred Tax	<u>-</u>	<u>32</u>
	<u>24,872</u>	<u>38,779</u>

The effective tax rate is higher than the statutory tax rate for the period mainly due to deferred tax credit not recognised by certain subsidiaries. Deferred tax benefit will only be recognised when the subsidiaries are able to estimate accurately the timing of their future profits.

B7. Status of corporate proposals

On 8 May 2018, PPB announced a proposed bonus issue of up to 237,099,976 ordinary shares in PPB (“Bonus Shares”) on the basis of one (1) bonus share for every five (5) existing PPB shares held (“Bonus Issue”).

The Bonus Issue has been completed following the listing and quotation of 237,099,057 Bonus Shares on the Main Market of Bursa Securities on 27 July 2018.

B8. Group borrowings

Total Group borrowings as at 30 June 2018 were as follows:

	Total RM'000	Secured RM'000	Unsecured RM'000
Long-term bank borrowings			
Long-term bank loans (USD)	44,273	44,273	-
Long-term bank loans (VND)	16,867	16,867	-
Hire purchase financing	368	368	-
Repayments due within the next 12 months	(30,934)	(30,934)	-
	<u>30,574</u>	<u>30,574</u>	<u>-</u>
Short-term bank borrowings			
Bills payable	65,000	-	65,000
Bills payable (IDR)	56,023	-	56,023
Short-term loans	100	-	100
Short-term loans (USD)	228,806	-	228,806
Short-term loans (IDR)	67,680	-	67,680
Short-term loans (VND)	117,417	-	117,417
Hire purchase financing	72	72	-
Current portion of long-term bank borrowings	30,862	30,862	-
	<u>565,960</u>	<u>30,934</u>	<u>535,026</u>
Bank overdrafts	453	-	453
	<u>566,413</u>	<u>30,934</u>	<u>535,479</u>

B9. Derivative financial instruments

(a) Derivative financial assets and financial liabilities

	As at 30 June 2018	
	Contract / Notional value RM'000	Fair value - (Liabilities) / Assets RM'000
<u>Derivative financial assets</u>		
i) Futures contracts	51,936	3,576
ii) Forward foreign currency contracts	21,168	635
Total derivative assets		<u>4,211</u>
<u>Derivative financial liabilities</u>		
i) Futures contracts	99,535	2,720
ii) Options contracts	6,848	5,405
Total derivative liabilities		<u>8,125</u>

All contracts will mature within one year.

Futures and options contracts

The Group is exposed to market risk mainly from fluctuations in the prices of agricultural commodities, namely wheat and corn which are the key raw materials to be used in the Group's *Grains and agribusiness* segment. Commodity futures and options contracts are entered into with the objective to mitigate and hedge against the volatility of commodities prices. It is the policy of the Group to hedge only in contracts with corresponding underlying commodities that are used in its grains and agribusiness activities.

Forward foreign currency contracts

The Group enters into foreign currency forwards contracts to minimise its exposure to foreign currency risks as a result of transactions denominated in currencies other than its functional currency. Under the Group's policy, foreign currency hedging is only considered for committed transactions and shall not exceed 100% of the committed amount.

There have been no significant changes since the end of the previous financial year ended 31 December 2017 in respect of the following:

- (i) the credit risk, market risk and liquidity risk associated with the derivatives;
- (ii) the cash requirements of the derivatives;
- (iii) the policies in place for mitigating or controlling the risks associated with the derivatives; and
- (iv) the related accounting policies.

(b) Fair value changes of financial liabilities

The derivative financial instruments are recognised at fair value on contract dates and subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in the income statement. Fair value changes are dependent on the market prices of derivatives as at liquidation date and end of reporting period.

The fair value gain on options for 2Q2018 and 1H2018 amounted to RM2.2 million and RM1.4 million respectively.

The fair value loss on future contracts for 2Q2018 and 1H2018 amounted to RM0.1 million and RM2.7 million respectively.

B10. Material litigation

There was no material litigation as at 22 August 2018.

B11. Dividends

The Board of Directors is pleased to declare an interim single tier dividend for the financial year ending 31 December 2018 of 8 sen per share (2017 : Interim single tier dividend of 8 sen per share).

Notice is hereby given that the interim single tier dividend is payable on Thursday, 4 October 2018 to shareholders whose names appear in the Record of Depositors at the close of business on Tuesday, 18 September 2018.

A depositor shall qualify for entitlement only in respect of :

- (i) Shares transferred into the depositor's securities account before 4.00pm on Tuesday, 18 September 2018 in respect of ordinary transfers, and
- (ii) Shares bought on the Bursa Malaysia Securities Berhad ("BMSB") on a cum entitlement basis according to the Rules of the BMSB.

B12. Earnings per share

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		6 months ended 30 June	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	304,473	93,195	493,985	431,627
Number of ordinary shares in issue ('000) (<i>Note</i>)	1,422,599	1,422,599	1,422,599	1,422,599
Basic earnings per share (Sen)	21.40	6.55	34.72	30.34

Note: Inclusive of bonus shares as explained in B7.

There is no diluted earnings per share for the current financial quarter as there were no potential dilutive ordinary shares issued or to be issued.

B13. Disclosure of audit report qualification and status of matters raised

There was no qualification in the auditors' report of the preceding annual financial statements.

Kuala Lumpur
29 August 2018

By Order of the Board
Mah Teck Keong
Company Secretary